Opening Statement

Chairman Michael G. Oxley

Committee on Financial Services

Subcommittee on Oversight and Investigations
June 26, 2001

"The SEC's Role in Capital Formation: Help or Hindrance?"

I thank the Chair and applaud Subcommittee Chairwoman Kelly for holding this morning's hearing.

One of the most important roles of the Financial Services Committee is effectively exercising the oversight authority with which the Constitution charges us. This Committee has been, and will continue to be, aggressive and active in its work to ensure that the Federal securities laws effectively serve investors and our capital markets.

In light of the technological and other changes that have transformed our marketplace in recent years, it is time to take a close look at the regulatory structure governing our securities markets. Accordingly, this is the first in a series of hearings that will examine the implementation of the Federal securities laws. I thank the Chairwoman for her leadership in this very important mission.

While everyone knows that the Securities and Exchange Commission is authorized by the Congress to protect America's investors, it is important to recognize that part and parcel of that mission is the promotion of capital formation.

Capital formation is the engine that drives the economy by enabling companies to grow, create jobs, and innovate. Because regulatory hurdles to raising capital harm our nation's economy, it is important to examine whether the current rules and regulations foster efficiency and competition. Regulatory hurdles to capital formation also harm investors – by making it more expensive for them to access the capital markets and by reducing the investment opportunities available.

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For example, some market participants who seek to raise capital through an initial public offering of shares to the general public contend that the costs of accessing the market are greater for small issuers than for large issuers. The importance of small business to this nation's capital markets cannot be understated. As one of our witnesses today points out, small businesses produce over half of the country's gross domestic product, and employ over half the workforce. Obstacles to capital for these entrepreneurs translate directly into lost opportunities, fewer jobs, and less productivity.

Accordingly, it is our mission to identify and rectify the problems that our regulatory structure creates for not only small business, but all market participants.

In 1996, the Congress took an important step toward reducing regulatory obstacles to capital formation. In the National Securities Markets Improvement Act, the Congress expressly charged the Commission with the mandate to consider "competition, efficiency, and capital formation," in addition to investor protection, in its rulemaking.

In addition, the Congress provided the Commission with broad exemptive authority under both the '33 and '34 Acts. That authority was granted to provide the Commission with a tool it could use to reduce regulatory burdens.

Today, we will hear from a distinguished panel of witnesses who will provide their views on whether the SEC has satisfied its statutory requirement to facilitate access to our capital markets. I look forward to hearing their opinions about whether the Commission has used the regulatory tools available to it to accomplish that goal.

I also look forward to hearing their suggestions as to what the Commission, or the Congress, can do to better promote capital formation and provide our nation's investors with more opportunity – and a stronger economy.

I'd like to thank all of our witnesses for appearing here this morning. I yield back.